

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 161952Z OCT 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1236

C O N F I D E N T I A L LA PAZ 6283

EXDIS

E.O. 11652: GDS

TAGS: PINT, BL

SUBJ: REASONS BEHIND POSTPONEMENT OF PRESIDENTIAL VISIT

REF: LA PAZ 6010

1. AS REPORTED REFTTEL, MAIN REASON FOR POSTPONEMENT OF PRESIDENTIAL VISIT TO U.S. AS GIVEN TO US WAS GENERAL GOB CONCERN WITH DOMESTIC INQUIETUDE EXPECTED IN THE WAKE OF ADOPTION OF AN "ECONOMIC PACKAGE" DESIGNED TO CORRECT IMBALANCES IN THE BOLIVIAN ECONOMY.

2. WHILE BANZER PROBABLY DID HAVE SOME CONCERN ON THIS POINT, THE EMBASSY BELIEVES THE FOLLOWING IS A MORE LIKELY REASON. WE HAVE IT ON GOOD AUTHORITY THAT IN LATE SEPTEMBER VICTOR PAZ ESTENSSORO HAD EXPRESSED STRONG RESERVATIONS CONCERNING THE "ECONOMIC PACKAGE" AND HAD SENT A LETTER TO THE POLITICAL COMMISSION OF THE FPN ASKING THAT IT TAKE THESE RESERVATIONS INTO ACCOUNT IN CONSIDERING THE MEASURES. IT IS PROBABLE THAT THIS DEVELOPMENT REQUIRED SOME TOUGH NEGOTIATING TO RECONCILE DIVERGENT VIEWS OF THE ECONOMIC "WISEMEN" AND THE INTERNATIONAL FINANCIAL COMMUNITY ON ONE HAND, AND MNR ON THE OTHER HAND. THIS NEGOTIATING, WE BELIEVE, COULD ONLY BE HANDLED BY PRESIDENT BANZER AS HE IS ONLY PERSON WITH SUFFICIENT STATURE TO MAKE DECISIONS AND COMPROMISES AT THAT LEVEL.

3. IT IS OUR ASSUMPTION THAT PRESIDENT BANZER COULD NOT FORESEE HOW THESE NEGOTIATIONS WOULD EVOLVE, AND WAS CONCERNED THAT
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PAZ MIGHT PULL THE MNR OUT OF THE FPN IF PAZ COULD NOT BE CONVINCED OF THE NEED TO RETAIN SOME BASIC PARTS OF THE "ECONOMIC PACKAGE." WE ALSO HAVE IT ON GOOD AUTHORITY THAT THE PRESIDENT'S ECONOMIC ADVISORS WERE STRONGLY URGING HIM TO POSTPONE

THE VISIT. THERE COULD BE TWO EXPLANATIONS FOR THIS: ONE, THAT THE PROSPECTS OF OBTAINING A SUBSTANTIAL LOAN PACKAGE IN THE U.S. WERE DIM, AND TWO, THAT HE WAS NEEDED MORE URGENTLY HERE TO NEGOTIATE THE LOCAL POLITICAL ACCEPTANCE OF AN "ECONOMIC PACKAGE" NECESSARY TO QUALIFY FOR INTERNATIONAL ASSISTANCE. WE BELIEVE THE LATTER EXPLANATION IS MORE PLAUSIBLE. IN OTHER WORDS, WITHOUT A MEANINGFUL ECONOMIC PACKAGE BOLIVIA WOULD HAVE DIFFICULTY IN OBTAINING LOANS, AND VICTOR PAZ HAD PUT THE PACKAGE IN JEOPARDY BY HIS OPPOSITION. THE PRESIDENT THEREFORE HAD THE CHOICE OF MAKING THE VISIT AND TAKING A CHANCE THAT HE COULD GET AGREEMENT ON THE "ECONOMIC PACKAGE" BY THE TIME HE DEPARTED, OR POSTPONING THE VISIT, THEREBY STRENGTHENING HIS HAND AT THE BARGAINING TABLE WITH THE MNR IN THE HOPE THAT ONCE AN ADEQUATE PACKAGE OF ECONOMIC MEASURES HAD BEEN IMPLEMENTED HE COULD SEND A REPRESENTATIVE TO NEGOTIATE THE NECESSARY LOANS.

4. THERE WERE, NO DOUBT, A NUMBER OF OTHER CONSIDERATIONS WHICH MAY HAVE HELPED TO TIP THE BALANCE IN FAVOR OF A DECISION TO POSTPONE, BUT WE DOUBT THAT ANY OF THESE, OR EVEN ALL OF THEM TOGETHER WOULD HAVE PREVENTED THE PRESIDENT FROM MAKING THE TRIP HAD IT NOT BEEN FOR THE MAJOR REASON GIVEN ABOVE. THESE OTHER CONSIDERATIONS INCLUDE: A) THE FEELING THAT BANZER MIGHT COME AWAY FROM THE VISIT VIRTUALLY EMPTY-HANDED IN TERMS OF NEW ASSISTANCE FOR BOLIVIA; B) THE ADVICE RECEIVED FROM SOME POLITICAL CIRCLES THAT BANZER WOULD BE THE SUBJECT OF SEVERE PRESS CRITICISM IN THE U.S., NOT BECAUSE HE HIMSELF WAS DISLIKED, BUT BECAUSE THE PRESS WAS OUT TO "GET" PRESIDENT NIXON AND WOULD USE ANY MEANS TO EMBARRASS NIXON SUCH AS EMBARRASSING AN OFFICIAL GUEST; C) IRRITATIONS OVER THE LACK OF INTEREST ON THE PART OF THE USG IN SUPPLYING APPROPRIATE AIRCRAFT FOR THE BANZER PARTY FROM BOLIVIA TO THE U.S. AND FROM MIAMI TO WASHINGTON, D.C.; D) CONCERN OVER THE POSSIBILITY THAT THE ISSUE OF COTTON CONTRACTS VIOLATIONS MIGHT BE RAISED, POSSIBLY AT THE PRESIDENTIAL LEVEL; AND E) THE GENERAL STATE OF DEPRESSION IN WHICH THE PRESIDENT HAD FALLEN AS A RESULT OF A SERIES OF FAILURES AND DISAPPOINTMENTS, AND PHYSICAL EXHAUSTION (E.G., THE \$225 MILLION LOAN FIASCO, CONFIDENTIAL

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THE THREATS FROM CERTAIN SECTORS OF THE "YOUNG OFFICERS" GROUP WHICH THE PRESIDENT HAD THOUGHT WERE ON HIS SIDE, THE THREAT FROM RIGHT-WING ELEMENTS IN SANTA CRUZ--THE PRESIDENT'S HOME TOWN, AND THE KILLING PACE OF HIS CAMPAIGNING THROUGHOUT THE COUNTRY). STEDMAN

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, COTTON, AGREEMENTS, VISITS, LOAN AGREEMENTS, NEGOTIATIONS, MEETINGS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 16 OCT 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LAPAZ06283
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P750018-0343
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731065/abqceftc.tel
Line Count: 104
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: LA PAZ 6010
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by martinjw>; APPROVED <05-Feb-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REASONS BEHIND POSTPONEMENT OF PRESIDENTIAL VISIT
TAGS: PINT, ECON, EAID, PGOV, PDIP, US, BL, (NIXON, RICHARD M), (BANZER), (ESTENSSORO, VICTOR PAZ)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005